



WEEKLY ECONOMIC DIGEST

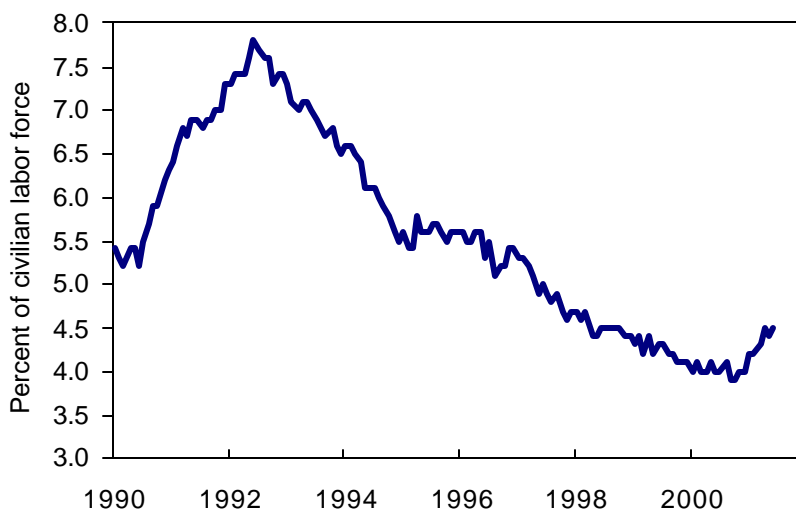
JOINT ECONOMIC COMMITTEE—DEMOCRATIC STAFF
SENATOR JACK REED (RI)



July 10, 2001

Labor Markets Deteriorated Further in June

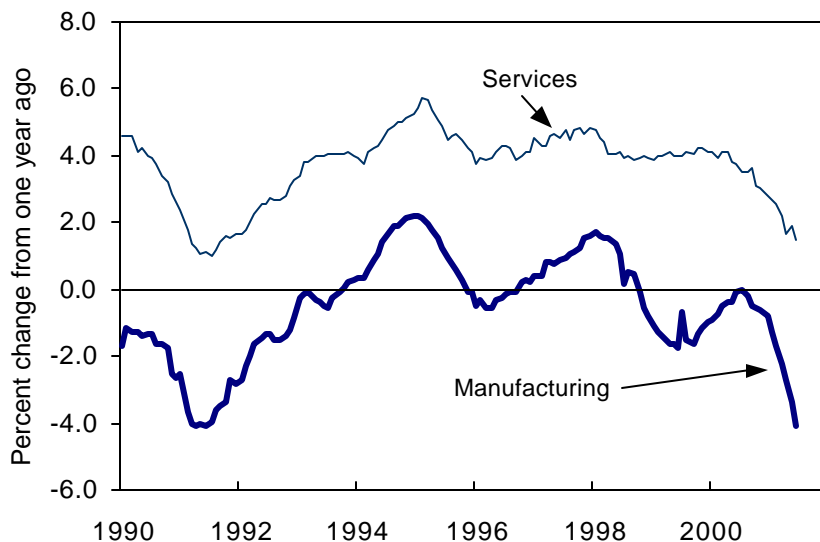
Civilian Unemployment Rate



Source: Bureau of Labor Statistics, U.S. Department of Labor.

- **Unemployment rose in June.** The civilian unemployment rate increased by 0.1 percentage point to 4.5 percent last month. While the labor force grew by only 82,000, the number of unemployed shot up by 253,000. Since June of last year, unemployment has swelled by nearly 850,000.
- **Factory employment plummeted.** Employment in nonfarm establishments fell by 114,000, more than twice as much as most analysts had expected. The manufacturing sector accounted for most of the decline, as factories shed another 113,000 jobs in June. Job losses in electrical equipment and industrial machinery plants have accelerated over the past three months and contributed to nearly half of the employment decline in manufacturing for June.

Changes in Payroll Employment



Source: Bureau of Labor Statistics, U.S. Department Labor.

- **Services employment has weakened.** Services employment dropped for the second time in three months, and its growth over the past year is the slowest in a decade. Job losses in help supply services (temps) and lodging services accounted for most of that weakness.
- **No rebound in employment seen as yet.** Weekly data covering the period through the end of June further underscore the weakness in labor markets. Initial claims for unemployment insurance continue to hover in the 400,000 range. Moreover, continuing claims have been rising steadily and, in the third week of June, exceeded 3 million for the first time since 1992.

ECONOMY AT A GLANCE	Jun	May	Apr	Mar	2001 Qtr 2	2001 Qtr 1	2000 Qtr 4	2000 Qtr 3	2000	1999
Economic Activity										
Real GDP (% growth)						1.2	1.0	2.2	5.0	4.2
Industrial Production (% growth)		-9.2	-7.0	-2.4		-6.7	-0.9	3.5	5.6	4.2
Capacity Utilization(Level, %)		77.4	78.2	78.8		79.2	81.3	82.4	82.1	81.2
Civilian Unemployment Rate (Level, %)	4.5	4.4	4.5	4.3		4.2	4.0	4.0	4.0	4.2
Housing Starts (Thousands)		1622	1629	1592		1627	1539	1505	1575	1647
Real Disposable Personal Income (% growth)		0.9	.1	5.4		2.2	0.7	2.6	2.8	3.2
Retail Sales (% growth)		0.9	18.0	-4.7		5.2	0.5	4.6	7.6	8.2
Personal Saving Rate (Level, %)		-1.1	-1.0	-0.8		-1.0	-0.7	-0.2	-0.1	2.2
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)		4.9	3.7	1.2		4.1	2.9	3.5	3.4	2.2
Core CPI-U Inflation (% growth)		1.2	2.4	2.4		3.2	2.4	2.5	2.4	2.1
Compensation per Hour (% growth)						4.6	3.5	3.8	4.3	3.2
Output per Hour (% growth)						-1.2	2.0	3.0	4.3	2.6
Financial Markets										
T-Bill Rate, 3-month (Level, %)	3.5	3.6	3.9	4.4	3.7	4.8	6.0	6.0	5.8	4.6
T-Note Rate, 10-years (Level, %)	5.3	5.4	5.1	4.9	5.3	5.1	5.6	5.9	6.0	5.6
Federal Funds Rate (Level, %)	4.0	4.2	4.8	5.3	4.3	5.6	6.5	6.5	6.2	5.0
Dow Jones Industrial Avg (Index Level)	10767	11105	10235	10081	10669	10513	10586	10882	10735	10465

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

Major Economic News Due This Week:

- Import and Export Prices, June [Release: Thursday, July 12, 2001]
- Producer Price Index, June [Release: Friday, July 13, 2001]
- Retail Sales, June [Release: Friday, July 13, 2001]